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*Central Files*

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

January 10, 1975

ALAN GREENSPAN, CHAIRMAN  
WILLIAM J. FELLNER  
GARY L. SEEVERS

*WR-7*

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The dollar remained virtually unchanged this week relative to a weighted average of major trading currencies.

Gold fell in London early in the week but then rose somewhat later. Gold market activity in the United States has been quite thin.

*William J. Fellner*

William J. Fellner  
Member

*Alan Greenspan*

Alan Greenspan  
Chairman



Supplementary Analysis of This Week's  
International Financial Conditions

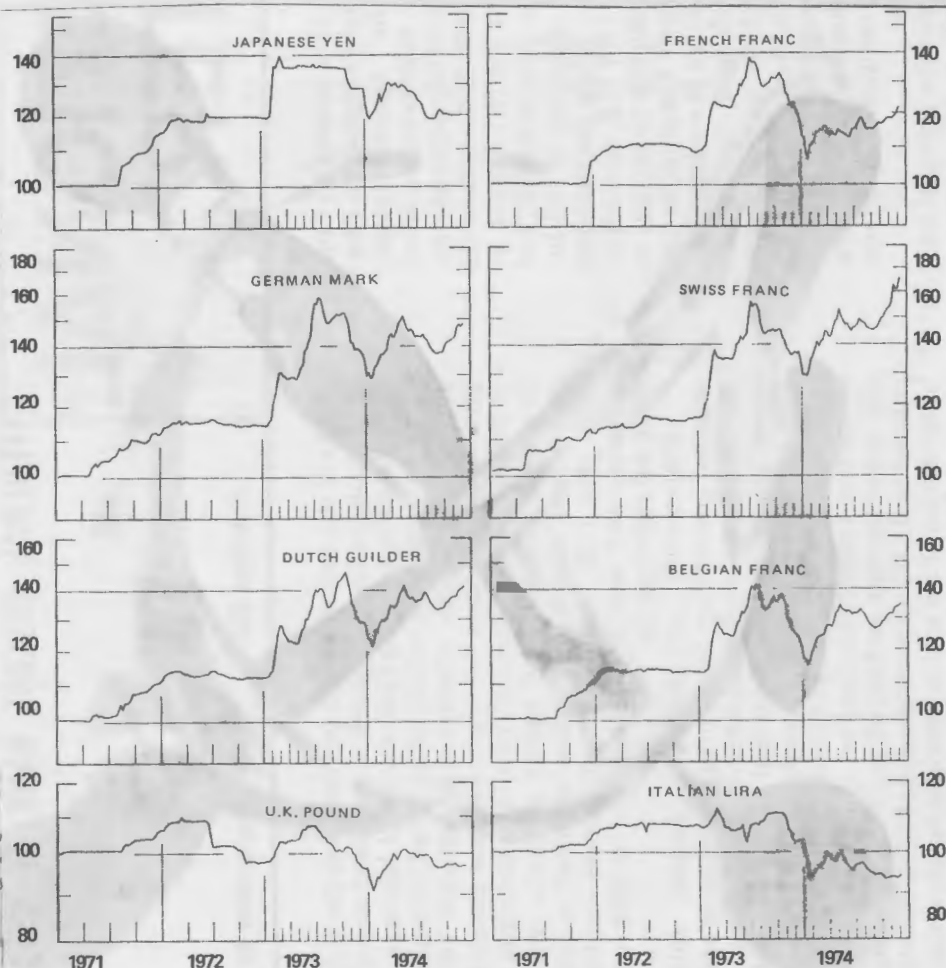
The U.S. dollar fell very slightly in foreign exchange markets this week, which increased in activity from the recent year-end slowdown. The Federal Reserve discount rate reduction last Friday to 7.25 percent from 7.75 percent imparted some weakness to the dollar in this period.

The Swiss National Bank intervened in support of the dollar this week for the first time in two years. Intervention in the amount of \$106 million over the week, and new controls on the forward market, eased the upward pressure on the Swiss franc which has risen to unrealistic levels recently largely due to speculative activity.

There was also considerable activity in the French franc, but the market was mixed. The French bank rate was reduced from 13 percent to 12 percent, but some speculation in the franc also resulted from the revaluation of French official gold to \$170.40 per ounce. French official reserves will hereafter be revalued or devalued periodically based on an average of previous market quotations.

The Canadian dollar fell this week to its lowest level since 1973, resulting from forward market pressure. The pound sterling also weakened, which perhaps is attributable to the new 20 year low of the British stock market and to the fears of corporate liquidity problems.

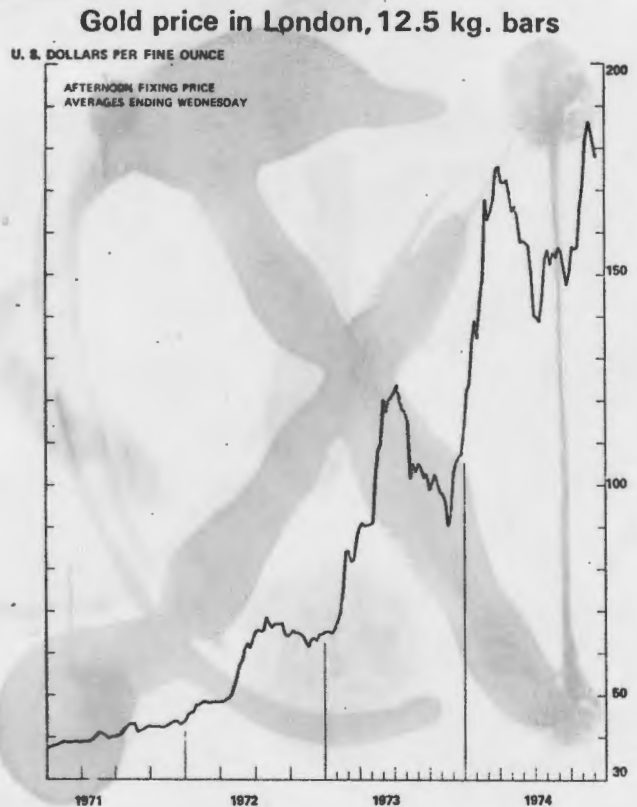
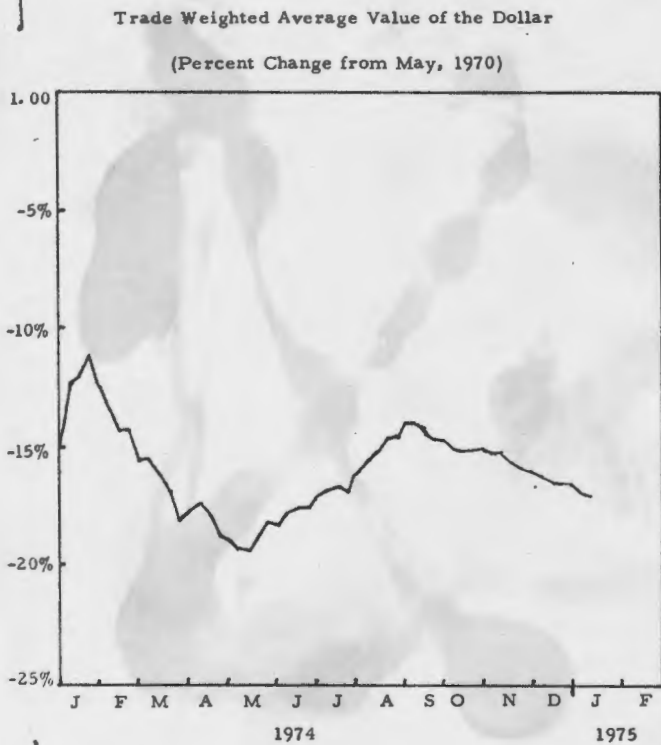
U.S. investors continue to be cautious on gold. Only 750,000 ounces of the originally intended 2 million were auctioned on Monday, with a \$153 per ounce bid the lowest accepted.



CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9980	0.2	0.8	1.4
	¢100.000	¢100.20			
British Pound	.384	.4252	-9.7	-9.8	-11.2
	¢260.571	¢235.18			
German Mark*	3.222	2.3832	35.2	34.8	31.2
	¢ 31.032	¢ 41.96			
Swiss Franc	3.840	2.5641	49.8	51.9	47.3
	¢ 26.042	¢ 39.00			
French Franc	5.116	4.3937	16.4	15.7	12.3
	¢ 19.548	¢ 22.76			
Dutch Guilder*	3.245	2.4631	31.7	30.8	27.9
	¢ 30.819	¢ 40.60			
Belgian Franc*	44.816	35.7270	25.5	24.9	23.3
	¢ 2.231	¢ 2.799			
Italian Lira	581.500	647.6684	-10.2	-10.2	-11.9
	¢ .172	¢ .1544			
Japanese Yen	308.000	300.7519	2.3	2.4	2.6
	¢ .325	¢ .3325			

\* Currencies floating together relative to the U.S. dollar.

VALUE OF THE DOLLAR IN TERMS OF FOREIGN CURRENCIES  
AND  
THE PRICE OF GOLD



TRADE-WEIGHTED AVERAGE VALUE  
OF THE DOLLAR  
IN TERMS OF 14 MAJOR CURRENCIES

DATE	PERCENTAGE CHANGE IN VALUE FROM:	
	May 1970*	Smithsonian
TODAY	-17.10	-6.49
WEEK AGO	-17.13	-6.52
MONTH AGO	-16.35	-5.65
6 MONTHS AGO	-16.94	-6.22
YEAR AGO	-12.91	-2.33

PRICE OF GOLD ON THE LONDON  
GOLD MARKET

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
177.25	406.43
174.00	397.1
179.75	413.57
137.00	291.4
122.00	248.57

\* Last month in which fixed exchange rates were adhered to by all 14 countries  
(Canadian dollar floated June 1, 1970).



Date: January 10, 1975

Country	Type of Market Instrument	Market Rate	90 Days Forward Premium(+) Discount(-) (a. r.)	Net Covered Yield	Net Arbitrage Incentive:
U.S.	90 Day CD's	8.00	---	8.00	
Eurodollars	90 Day Bank Deposit	8.688	---	8.688	
U.K.	Interbank Loan Rate	11.875	-7.40	4.475	-3.525
Canada	Finance Company Paper	8.75	+0.06	8.81	+0.81
Germany	Interbank Loan Rate	7.70	+1.52	9.22	+1.22
Switzerland	Commercial Bank Prime Rate	8.00	+1.38	9.38	+1.38
France	Commercial Bank Prime Rate	14.40	-6.31	8.09	+0.09
Japan	Commercial Bank Prime Rate	9.90	-1.32	8.58	+0.58

\* 60 days.